

## WATER OPERATIONS REQUEST #1



## ORS WATER OPERATIONS REQUEST FORM

**Please acknowledge receipt of request by email.**

**DATE:** May 29, 2020

**TO:** Dante DeStefano

**UTILITY:** Blue Granite Water Company – Docket No. 2019-290-WS

**FROM:** Kyle Maurer Sr, PhD, PE

**PURPOSE:** ClearWater Solutions, LLC Contract

**REQUEST THE FOLLOWING ITEMS BE PROVIDED BY:** June 8, 2020 or sooner

Please provide responses to the following in writing, electronically, and serve the above-named party on or before the date specified to [kmaurer@ors.sc.gov](mailto:kmaurer@ors.sc.gov). In addition to a signature and verification at the close of the Company's responses, please indicate the Company witness(es), employee(s), or agent(s) responsible for the information contained in each response.

Pursuant to S.C. Code Ann. §§ 58-4-55 (Supp. 2019), 58-4-50, 58-5-230, and Public Service Commission of South Carolina Order No. 2020-389, the South Carolina Office of Regulatory Staff hereby makes the following request(s):

Please provide the following information regarding the service contract between Blue Granite Water Company and ClearWater Solutions, LLC.

1. Why were the contract services not put out to bids from other qualified providers?

**RESPONSE:** ClearWater Solutions was identified in February 2018 as a well-qualified service provider for contract operations in the Midlands region, performing similar services for municipal systems within South Carolina. ClearWater Solutions had significant experience in fulfilling the Company's specific needs, which initially were limited to operating support at the Friarsgate WWTF. ClearWater Solutions was selected based on their track record, in-house resources, and potential for cost savings and efficiencies. The Company has not identified any regulation requiring the request of bids for such services. Please see response to #2 below for details on the initiation of engaging the services of ClearWater Solutions.

2. What is/was the financial relationship between the parties to the contract and their affiliates?

**RESPONSE:** Neither Clearwater Solutions, nor its affiliates, are affiliates of Blue Granite Water Company, nor its affiliates. The Company does not now, nor at any time in the past, have a common ownership relationship of any kind with ClearWater Solutions or any of its principals. The Company continues to be perplexed by the repeated questions concerning a potential affiliation with ClearWater Solutions.

As discussed in the record for Docket 2017-292-WS, due to immediate operational concerns, in February 2018, Blue Granite engaged Clearwater Solutions to provide contract operator support for its Friarsgate wastewater system in the Midlands, and in May 2019 to begin augmenting existing Blue Granite staff in the Midlands system. Staff augmentation was necessary, as the Company had experienced a decrease in operations employees from 14 in March 2018 to 7 in May 2019 (1 Field Tech, 6 licensed operators). Since March of 2018, Blue Granite has utilized Goodwyn, Mills, & Cawood Inc. (“GMC”) as its primary outside engineering firm. Clearwater Solutions is an affiliate of GMC. The utilization of both GMC and ClearWater Solutions allowed for improved coordination of system assessments and recommended capital improvements.

3. Was this truly an arms-length transaction? Please explain.

**RESPONSE:** The service contract was an arms-length transaction. Please see response to #2 above. S.C. Code Ann. Section 58-27-2090, which applies to electric utilities and not to water or wastewater utilities, characterizes affiliation to include corporations or persons who “either exercises or is in position to exercise, by reason of ownership or control of securities or for any other cause, any reasonably substantial control over the business or policies of any electrical utility engaged in business in this State.” Neither ClearWater Solutions, nor any of its employees, exercise or is in a position to exercise any amount of control—much less “reasonably substantial control”—over the business or policies of Blue Granite. The contract at issue was negotiated at arm’s length between two unaffiliated parties, and customers are benefiting by improved operations and reduced operations cost in the Midlands because of it.

4. Did the customers really benefit? If so, how were these claimed benefits to customers calculated or quantified?

**RESPONSE:** As noted in response to Questions #5 per Order No. 2020-39-H, the Company compared its Test Year expenses for operating and maintaining the Midlands system, incurred prior to the Clearwater contract, to the Clearwater Solutions contract amount. The categories of expenses that were adjusted included Salary & Benefits, Water & Wastewater Maintenance, Water & Wastewater Testing, Chemicals, Lawn Maintenance, Meter Reading, and Transportation. The Company reflected the calculated net savings in its initial filing schedules. ORS, through its audit and review, identified and recommended additional adjustments to the Company’s pro-forma expenses to which the Company did not object. The net savings in expenses compared to the Test Year, included in both the ORS and Company proposed orders, was approximately \$168,000, and is therefore reflected in the PSC’s Order No. 2020-306 and Directive dated 5/28/2020. Those savings are directly attributable to the ClearWater contract. In addition to the cost benefits, ClearWater Solutions has provided stability and consistency in the operations for the Midlands system, where the Company was previously challenged to attract and retain qualified operators.

5. Any other related information as may be appropriate to the topics in Questions 1-4 above.

**RESPONSE:** No additional related information has been identified.